CONTENTS

CITATIONS

In the Supreme Court of the United States

OCTOBER TERM, 1946

No. 1214

AMERICAN POWER & LIGHT COMPANY AND FLORIDA POWER & LIGHT COMPANY, PETITIONERS

v.

SECURITIES AND EXCHANGE COMMISSION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF FOR THE SECURITIES AND EXCHANGE COMMISSION IN OPPOSITION

OPINIONS BELOW

The opinion of the Circuit Court of Appeals for the First Circuit (R. 2002–2025) affirming an order of the Securities and Exchange Commission, issued under the Public Utility Holding Company Act of 1935 (49 Stat. 803, 15 U. S. C. § 79), is reported in 158 F. 2d 771. The findings, opinion and order of the Commission in this matter, dated December 28, 1943, and the order denying petitioner's application for rehearing, dated January 12, 1944

(R. 57–103, 109–110), have not been officially reported, but are contained in Holding Company Act releases 4791 and 4824.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered on December 9, 1946, and rehearing was denied on January 8, 1947 (R. 2025).

The jurisdiction of this Court is invoked under Section 24 (a) of the Public Utility Holding Company Act of 1935 (49 Stat. 803, 834–35; 15 U. S. C. § 79 x (a)) and Section 240 (a) of the Judicial Code, as amended (28 U. S. C. § 347 (a)).

QUESTIONS PRESENTED

Did the Commission, in passing on a proposed public offering of securities by a registered holding company's subsidiary under the Public Utility Holding Company Act of 1935, properly require the subsidiary:

1. To eliminate from its plant accounts and charge to earned surplus $1,815,655 which the Commission found represented intrasystem profits paid by the subsidiary to an affiliated service company in the guise of construction and engineering fees;

2. To create a contingency reserve by annual appropriations from earned surplus of $700,000, so that over a period of fifteen years provision will be made for the possible disposition of $10,500,000 estimated by the Commission and not

disputed by petitioners to be approximately the amount of the excesses of unamortized actual cost (not including writeups) of purchased utility operating properties over the original cost of such properties to the person first devoting them to the public use, pending final determination by the Commission of the exact amount and final disposition to be made of such excesses?

STATUTE INVOLVED

The applicable provisions of the Public Utility Holding Company Act of 1935 are set forth in the Appendix.

STATEMENT

The Electric Bond and Share Company[1] holding company system, of which petitioners are constituent companies, has been examined by this Court in at least two other cases, *Electric Bond and Share Co.* v. *Securities and Exchange Commission,* 303 U. S. 419, and *American Power and Light Co.* v. *Securities and Exchange Commission,* 329 U. S. 90. In the latter case reference was made to the fact that the Commission had found that the book figures of various operating companies of the system required revision.[2] The present case is concerned with the adjustments required by

[1] Florida Power and Light Company and American Power and Light Company are hereinafter referred to respectively as "Florida" and "American", and Electric Bond and Share Company is referred to as "Bond and Share".

[2] *American Power and Light Co.* v. *Securities and Exchange Commission*, 329 U. S. 90.

the Commission in the book figures of Florida, an operating subsidiary of American, a holding company registered under the Holding Company Act, which is in turn a subsidiary of Bond and Share, also a registered holding company.

Florida was organized in December, 1925, and represented a consolidation of various electric and gas utilities and related companies located in the state of Florida, which had been acquired by American in 1924–1925. This was at the time of the historic Florida real estate boom, which lasted from 1923 to 1926. As soon as control of each company was obtained Bond and Share employees were placed in active charge as officers and directors, and the operating company was made to enter into a service contract with Bond and Share by which operations were controlled in detail by Bond and Share (R. 855, 869–884) and the Bond and Share "fee" system was applied to an extensive program of construction which was undertaken (R. 544, 1070).

The books of Florida's predecessor companies contained an aggregate of $3,314,740 in their plant accounts in excess of cost to the predecessor companies, and American paid a total of $2,302,-363 in excess of predecessor book cost for these properties (R. 93, 953–954, 1069, 1385, 1389). The total of these sums, $5,617,103, was included on the books of Florida at the time Florida was

organized.[3] After its organization Florida continued to purchase and construct additional properties on a large scale until 1930 (R. 1070). By then, the purchases resulted in an additional $4,881,014 excess over the original cost of the properties appearing in Florida's accounts (R. 1385–1389). While there has not been a definitive determination thereof by the Commission, it is not disputed that a total of approximately $10,500,000 in the plant account represents an excess over the original cost of the properties (R. 153, 276–278, 2005). In addition, the Commission found that Florida added to its plant account $1,815,655, which represented profits included in fees paid to affiliated companies for construction and engineering services (R. 92). The items making up the foregoing sums were admittedly not depreciated on Florida's books (R. 2017),[4]

[3] The Commission found that Florida's plant account on its opening balance sheet also contained approximately $32,000,000 in excess of American's cost of the property (R. 65). Substantially all of this sum has been removed from Florida's books, $27,615,044 since the institution of this proceeding and $3,675,000 just prior thereto (R. 68, 1368).

[4] As a matter of bookkeeping, for reasons primarily relating to the depreciable tax base allowed by the United States Treasury Department for income tax depreciation purposes, Florida carried all or substantially all of its property on its detailed property ledger at approximately the original cost of the physical property, and the surplus over original cost was carried in a lump sum "balloon" account, which was not depreciated (R. 947–51).

remaining a capital asset at the time the Commission's order was entered.

Pursuant to a notice and order for hearing issued July 10, 1941, an extensive inquiry was conducted into Florida's capital structure, and petitioners ultimately submitted a plan involving the issuance of new securities to bring that structure into conformity with the standards of the Public Utility Holding Company Act. The Commission approved the proposed financing and the proposed accounting adjustments, but made two additional accounting requirements, which are the subject of this review. First, the Commission, having found that $1,815,655 of the plant account represented profit to affiliates, ordered this sum to be eliminated by a charge to earned surplus. Secondly, pending the final determination of the nature and precise amount of the remaining items in Florida's plant account in excess of original cost, which determination was to be based on an original cost study Florida had previously been required to make, the Commission ordered the establishment of a contingency reserve by annual charges to earned surplus of $700,000 so that all or any portion of the amount of approximately $10,500,000 in excess of original cost which might be required to be eliminated from Florida's plant account over a fifteen year period from the date of the order, could be charged to the contingency reserve so accumulated.

The order of the Commission was affirmed by the Circuit Court of Appeals (R. 2025).

ARGUMENT

1. The petitioners ask this Court to bring up for review the affirmance of the Commission's requirement that Florida eliminate from its plant accounts, by charge to earned surplus, the $1,815,655 of profits paid to affiliated service companies under the Bond and Share "fee" system. In so doing, petitioners seek to reopen a question settled by an unbroken line of decisions. *United States* v. *New York Telephone Company,* 326 U. S. 638;[5] *Colorado Interstate Gas Company* v. *Federal Power Commission,* 324 U. S. 581, 606–608; *Alabama Power Company* v. *Federal Power Commission,* 134 F. 2d 602, 609 (C. C. A. 5); *Puget*

[5] In the *New York Telephone Company* case, the company conceded the Federal Communication Commission's powers with respect to an affiliate's profits "remaining in appellee's property accounts" and questioned only the commission's power to direct readjustment of depreciation accounts in order to eliminate underdepreciation resulting from profits to an affiliate previously included in plant accounts. 326 U. S. at 648. Furthermore, the Court's opinion in that case disposes of the present petitioners' attempt to invoke the decision in *American Telephone & Telegraph Company* v. *United States*, 299 U. S. 232, for the Court points out that the Commission's finding in the *New York Telephone Company* case that the amount was a profit to an affiliate, brought its order within the reservation of the *American Telephone & Telegraph Company* opinion as involving, not a true investment, but only a "fictitious or paper increment." 326 U. S. at 652–654.

741410—47——2

Sound Power & Light Company v. *Federal Power Commission,* 137 F. 2d 701, 703 (App. D. C.); *Niagara Falls Power Company* v. *Federal Power Commission,* 137 F. 2d 787, 792–795 (C. C. A. 2), certiorari denied, 320 U. S. 792; *Pennsylvania Power & Light Company* v. *Federal Power Commission,* 139 F. 2d 445, 450 (C. C. A. 3), certiorari denied, 321 U. S. 798; see also *Northwestern Electric Company* v. *Federal Power Commission,* 321 U. S. 119. As this Court pointed out in the *Colorado Interstate Gas Company* case (324 U. S. 581, 607–608), the end result of a transfer from one subsidiary of a holding company to another at an intercompany profit is a write-up or inflation of capital assets, and it was the prevalence of that practice in the holding company field which gave rise to an insistent demand for federal regulation.

Petitioners' contention that the no-profits-to-affiliates rule may not be applied where the record contains evidence tending to show the fairness or reasonableness of the profit, and petitioners' reference to fields of law outside the regulation of utilities, in which the legality of reasonable profits to affiliates is recognized (Petition, pp. 14–15), merely repeat the arguments of another Bond and Share company, petitioner in the *Pennsylvania Power & Light Company* case, *supra,* in that company's unsuccessful attempt to bring the same question before this Court. See the petition for certiorari, No. 769, October Term, 1943, pp. 6, 9, denied, 321 U. S. 798.

That case also completely answers petitioners' contention that the required elimination of the $1,815,655 profits to affiliates is not properly supported by the findings and record.[6] The Commission, upon its consideration of the record in this case, which included substantially everything that was in the record underlying the Federal Power Commission's order affirmed in the *Pennsylvania Power & Light Company* case, *supra*,[7] agreed with the administrative conclusion and findings in that case and made similar findings (R. 86–93). That case involved the same controlling factual situation and an administrative order the relevant part of which was similar to the part of the present order now under consideration. The opinion of the Circuit Court of Appeals for the Third Circuit discloses that that court had carefully considered the support for the Federal Power Commission's determination in that case. The consistent decisions of two circuit courts of appeals, upholding the sufficiency of substantially the same record on the principal factual questions and the adequacy of similar findings to support similar accounting requirements, is persuasive that no question is now presented meriting review by this Court, par-

[6] This contention is apparently applicable to that part of the Commission's order as well as the part hereinafter discussed. See the second and third reasons relied on for grant of writ. Petition, p. 10.

[7] See R. 1391–1589, 1681–1961. See, in addition to the record from the Federal Power Commission proceeding, R. 228–261, 415–425, 847–851, 869–884, 872–883.

ticularly where certiorari has already been denied in one of the cases (321 U. S. 798).

Although petitioners question the application of the non-profits-to-affiliates rule "under the Act here involved,"[8] they do not point to any distinction between Sections 15 (a), (f), (i), and 20 (a) of the Public Utility Holding Company Act (*infra*, pp. 20–22) and Sections 208 and 301 of the Federal Power Act (41 Stat. 1063, as amended, 49 Stat. 848, 16 U. S. C. 824g, 825), or Sections 220 (a), (c), (g) of the Communications Act of 1934 (48 Stat. 1064, 47 U. S. C. 220 (a), (c), (g)), under which the orders involved in the above cited decisions were issued. A comparison of the provisions of the three statutes indicates the complete absence of any material difference relevant here.

Petitioners attack upon the constitutionality of the foregoing provisions[9] is clearly without merit. As this Court has reiterated, the regulation of public utility holding companies is a valid exercise of the Congressional power over interstate commerce. *Electric Bond and Share Company* v. *Securities and Exchange Commission*, 303 U. S. 419; *North American Company* v. *Securities and Exchange Commission*, 327 U. S. 686; *American Power & Light Company* v. *Securities and Exchange Commission*, 329 U. S. 90. Florida is a subsidiary of American and of Bond and Share, and

[8] See the fourth reason relied on for grant of writ, Petition, p. 10.

[9] See the third specification of errors, Petition, p. 9.

is one of the instrumentalities through which those holding companies have conducted and continue to conduct their interstate transactions. Through interstate control those holding companies have caused the entry upon the books of Florida of the write-ups and other excesses over original cost dealt with by the Commission's order and caused also the distribution by Florida of its securities which the Commission's order passed on under Section 7 as preliminary to a public offering of these securities through the facilities of interstate commerce. It is such interstate activities of the Bond and Share System, of which Florida is a part, which bring Florida's accounts within the reach of the commerce power.

Petitioners' contentions as to American's rights to dividends as common stockholder in Florida and its alleged deprivation of property in contravention of the Fifth Amendment are disposed of by the decision in the *Northwestern Electric Company* case, *supra,* where similar contentions, advanced upon behalf of the same American Power & Light Company, petitioner there, as a common stockholder in Northwestern Electric Company (see petitioners' brief, No. 195, October Term, 1943, pp. 6–7, 13–14, 43–54), were overruled by the Court. 321 U. S. at 125.[10]

[10] American has recognized that its rights as a stockholder were similarly involved in the *Northwestern* case. *American Power & Light Company* v. *Securities and Exchange Commission*, 325 U. S. 385, No. 470, October Term, 1944, Petitioners' Brief, p. 10, note 1.

The scope of the ruling in that case is not limited by this Court's subsequent decision in *American Power & Light Company* v. *Securities and Exchange Commission,* 325 U. S. 385. For there this Court, merely holding that a parent corporation was a "person aggrieved" within the meaning of Section 24 (a) of the Public Utility Holding Company Act by an order directed to its subsidiary's accounts which might affect its right to dividends so that it may challenge the validity of that order, did not pass on the merits of that challenge.

A similar order in the *Northwestern* case was held to present "only a question of proper accounting" as to which the Court was "not called upon to make any decision as to the ability of the company legally to declare and pay dividends." 321 U. S. at 123, 125.[11] See also *Norfolk and Western Railway Company* v. *United States,* 287 U. S. 134, 141, and *Kansas City Southern Railway Company* v. *United States,* 231 U. S. 423, 453, where the Court, speaking of the regulated companies' preferred stockholders, said: "Supposing, however, that the enforcement of the accounting system does require them to forego their current

[11] The letter from the Chairman of the Securities and Exchange Commission, printed as Appendix D to the Federal Power Commission brief in the *Northwestern* case, described the possible effect of the accounting order there involved upon Securities and Exchange Commission control over dividends under Section 12 (c) (at pp. 103–105).

dividends, we do not concede that this amounts to an unlawful taking of their property."

2. As we have seen, page 5, *supra*, it is not contested that the difference between the cost to Florida of its properties (after elimination of intra-system profits) and the original cost of the properties is approximately $10,500,000, all of which is contained in Florida's plant account. The Commission did not order the immediate elimination of Account 100.5 items, but directed the accumulation of a reserve therefor at the rate of one-fifteenth of the total sum per year. Definitive disposition of these items will be made after the Commission has considered their nature as disclosed by the original cost study being conducted by Florida, and further opportunity to review the determination will be afforded at that time.[12] In considering the narrow issue of the propriety of the Commission's action it should be emphasized that the Commission entered its order at the same time it granted Florida authority to make a public offering of securities. The order, directing the establishment of a contingency reserve against a future order likely to require the elimination of these items, does no more than prudent accounting requires.

[12] At the time of the accounting directions under review Florida had not completed its original cost study for submission to the Commission. This study was submitted to the Commission only this year, but additional information has been requested. It is likely that the entire study will be completed within a year.

As the Commission stated (R. 96):

> * * * since all present indications are that there will be approximately $10,500,000 of * * * acquisition adjustments ultimately to be disposed of, conservative accounting requires that the company should begin now to make provisions for such disposition.

The Commission's conclusion that such an amount may be required to be disposed of is fully supported by the reasons it adduces and the undisputed facts. Each item making up this excess over original cost must ultimately be determined to be one of two things: cost of acquiring tangibles or cost of acquiring intangibles. If and insofar as the items may be determined to be tangibles, the record shows that they had been acquired from 15 to 20 years previously, were not new when acquired, and therefore have either already been retired from service or in all likelihood will be retired during the 15-year period in which the reserve is to be accumulated (R. 815–816, 948, 1070).[13] Furthermore, the Commission found that Florida had made no provision in its depreciation reserves for these amounts, depreciation having been computed on original cost only;[14] admittedly Florida had not

[13] The average life of steam-electric property is 31 years. U. S. Treasury Department, Bureau of Internal Revenue, Bulletin "F", revised January, 1942, p. 61. This document was contained in the record before the Commission (Tr. Doc. No. 75).

[14] See footnote 3, *supra*, p. 5.

made any charge to the depreciation reserve upon any retirement of any such tangibles (R. 2017).

If and insofar as this $10,500,000 excess over original cost represented intangibles, the Commission stated that it constituted payment for expected earnings which prudent accounting would not permit to continue indefinitely in the plant accounts. As the court below pointed out (R. 2018):

> The property that American transferred to Florida was acquired during the height of the Florida real estate boom and the major portion of the subsequent purchases of Florida were made prior to 1930. This was an era of inflated values and speculation. Prices at that time reflected expectancies of continued "prosperity."

Clearly the Commission was warranted in finding that intangibles of this nature would have to be amortized over a reasonable period of years. Conclusions similar to that of the Commission, and similar requirements for disposition of such intangibles, have repeatedly been affirmed. *California Oregon Power Company* v. *Federal Power Commission*, 150 F. 2d 25 (C. C. A. 9), certiorari denied, 326 U. S. 781; *Pacific Power & Light Company* v. *Federal Power Commission*, 141 F. 2d 602, 604–605 (C. C. A. 9); see also *Niagara Falls Power Company* v. *Federal Power Commission*, 137 F. 2d 787, 792–795 (C. C. A. 2).[15] In the

[15] In the *Niagara* case, the court, in an opinion by Judge L. Hand, said with respect to the price paid for a plant built

California Oregon Power Company case this Court denied certiorari on this very point.

Whether tangible or intangible, the items represented by this $10,500,000 excess will thus have been retired or have ceased to exist before the end of the 15-year period. This brings them within the reservation recognized in *American Telephone & Telegraph Company* v. *United States,* 299 U. S. 232, 241, where the Court upheld the accounting requirements there under review, upon the understanding that they permitted assets to be retained in capital accounts "until such assets cease to exist or are retired;" adding that "in accordance with paragraph (C) of account 100.4, provision will be made for their amortization."

In this case it is not, however, necessary to determine whether the Commission could require the excess to be so treated, but only whether it could require a contingency reserve to be built up to care for the possibility of a final order of such nature. Creation of such a reserve, whether pursuant to requirement of regulatory authority for the protection of investors, consumers, or the public generally, or by voluntary act of management to provide against a possible impairment of capital

---

and in operation: "The only factor which determines its price is the 'prospective revenues' which it will produce. These may be larger or smaller than the 'original cost,' or the 'reproduction cost'; but that will not affect the purchase price, except as the scrap value of the plant serves as a 'floor,' or bottom price, below which the value will not go" (137 F. 2d at 794).

or to guard against declaration of dividends out of capital, is no more than a prudent provision for the possibility[16] of a subsequent order dealing with the disposition of the items, or, as the Commission found, "conservative accounting." Obviously it is not " 'so entirely at odds with fundamental principles of correct accounting' as to be the expression of a whim rather than an exercise of judgment." *United States* v. *New York Telephone Company,* 326 U. S. 638, 655.

The statutory and constitutional objections advanced in the petition, insofar as they pertain to the portion of the order involving this $10,500,000 excess over original cost, are disposed of by what has already been said with respect to similar objections to the portion involving the $1,815,655 of affiliates' profits. See pp. 10–13, *supra.* For it follows from what was said there that there is no such difference in the statutory or constitutional bases of the accounting jurisdiction of the Securities and Exchange Commission as to differentiate its powers with respect to ultimate disposition of the $10,500,000 excess from the accounting powers of the Federal Power Commission upheld in the *Pacific Power & Light* and *California Oregon Power* cases, *supra.* Hence petitioners' conten-

[16] The Twenty-Sixth Annual Report of the Federal Power Commission, Fiscal Year Ended June 30, 1946, on p. 46 shows that 138 electric utility companies have already disposed of or made a provision to dispose of a total of $347,656,454.11 of such excesses (other than write-ups) over original cost from their plant accounts.

tion that there is such a want of statutory or constitutional power in the Commission with respect to ultimate disposition as to make the possibility of such disposition too remote to constitute a real contingency is without merit.

CONCLUSION

The decision of the Court below is correct and no question is presented which would warrant further review by this Court. Accordingly, the petition for certiorari should be denied.

Respectfully submitted.

GEORGE T. WASHINGTON,
Acting Solicitor General.

HOWARD E. WAHRENBROCK,
Assistant General Counsel,
Federal Power Commission.

ROGER S. FOSTER,
Solicitor,

ROBERT S. RUBIN,
Associate Solicitor,

HARRY G. SLATER,
Chief Counsel, Public Utilities Division,

DAVID FERBER,
Special Counsel,

MYER FELDMAN,
Attorney,
Securities and Exchange Commission.

MAY 1947.

APPENDIX A

Public Utility Holding Company Act of 1935, 49 Stat. 803, 15 U. S. C. § 79 et seq.:

Section 1. * * *

(b) Upon the basis of facts disclosed by the reports of the Federal Trade Commission made pursuant to S. Res. 83 (Seventieth Congress, first session), the reports of the Committee on Interstate and Foreign Commerce, House of Representatives, made pursuant to H. Res. 59 (Seventy-second Congress, first session) and H. J. Res. 572 (Seventy-second Congress, second session) and otherwise disclosed and ascertained, it is hereby declared that the national public interest, the interest of investors in the securities of holding companies and their subsidiary companies and affiliates, and the interest of consumers of electric energy and natural and manufactured gas, are or may be adversely affected—

(1) when such investors cannot obtain the information necessary to appraise the financial position or earning power of the issuers, because of the absence of uniform standard accounts; when such securities are issued without the approval or consent of the States having jurisdiction over subsidiary public-utility companies; when such securities are issued upon the basis of fictitious or unsound asset values having no fair relation to the sums invested in or the earning capacity of the properties and upon the basis of paper profits from intercompany transactions, or in anticipation of excessive revenues from subsidiary public-utility companies; when such securities are issued by a subsidiary public-utility company under circumstances which subject

such company to the burden of supporting an overcapitalized structure and tend to prevent voluntary rate reductions;

(2) when subsidiary public-utility companies are subjected to excessive charges for services, construction work, equipment, and materials, or enter into transactions in which evils result from an absence of arm's-length bargaining or from restraint of free and independent competition; when service, management, construction, and other contracts involve the allocation of charges among subsidiary public-utility companies in different States so as to present problems of regulation which cannot be dealt with effectively by the States;

(3) when control of subsidiary public-utility companies affects the accounting practices and rate, dividend, and other policies of such companies so as to complicate and obstruct State regulation of such companies, or when control of such companies is exerted through disproportionately small investment;

(4) when the growth and extension of holding companies bears no relation to economy of management and operation or the integration and coordination of related operating properties; or

(5) when in any other respect there is lack of economy of management and operation of public-utility companies or lack of efficiency and adequacy of service rendered by such companies, or lack of effective public regulation, or lack of economies in the raising of capital.

* * * * *

SEC. 15. (a) Every registered holding company and every subsidiary company thereof shall make, keep, and preserve for such periods, such accounts, cost-accounting

procedures, correspondence, memoranda, papers, books, and other records as the Commission deems necessary or appropriate in the public interest or for the protection of investors or consumers or for the enforcement of the provisions of this title or the rules, regulations, or orders thereunder.

* * * * *

(f) All accounts, cost-accounting procedures, correspondence, memoranda, papers, books, and other records kept or required to be kept by persons subject to any provision of this section shall be subject at any time and from time to time to such reasonable periodic, special, and other examinations by the Commission, or any member or representative thereof, as the Commission may prescribe. The Commission, after notice and opportunity for hearing, may prescribe the account or accounts in which particular outlays, receipts, and other transactions shall be entered, charged, or credited and the manner in which such entry, charge, or credit shall be made, and may require an entry to be modified or supplemented so as properly to show the cost of any asset or any other cost.

* * * * *

(i) The Commission, by such rules and regulations as it deems necessary or appropriate in the public interest or for the protection of investors or consumers may prescribe for persons subject to the provisions of subsection (a), (b), (c), or (d) of this section uniform methods for keeping accounts required under any provision of this section, including, among other things, the manner in which the cost of all assets, whenever determinable, shall be shown, the methods of classifying and segregating accounts, and the manner in

which cost-accounting procedures shall be maintained.

* * * * *

SEC. 20. (a) The Commission shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as it may deem necessary or appropriate to carry out the provisions of this title, including rules and regulations defining accounting, technical, and trade terms used in this title. Among other things, the Commission shall have authority, for the purposes of this title, to prescribe the form or forms in which information required in any statement, declaration, application, report, or other document filed with the Commission shall be set forth, the items or details to be shown in balance sheets, profit and loss statements, and surplus accounts, the manner in which the cost of all assets, whenever determinable, shall be shown in regard to such statements, declarations, applications, reports, and other documents filed with the Commission, or accounts required to be kept by the rules, regulations, or orders of the Commission, and the methods to be followed in the keeping of accounts and cost-accounting procedures and the preparation of reports, in the segregation and allocation of costs, in the determination of liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and nonrecurring income, in the differentiation of investment and operating income, and in the keeping or preparation, where the Commission deems it necessary or appropriate, of separate or consolidated balance sheets or profit and loss statements for any companies in the same holding-company system.

U. S. GOVERNMENT PRINTING OFFICE: 1947